

## **An Introduction to Brand Finance plc**

# **Balance sheet reporting under IFRS 3 'Business Combinations'**

Expert intangible asset valuations and commercial advice delivered  
with speed, accuracy and in-depth technical knowledge

## Introduction to Brand Finance plc

Brand Finance plc is a leading independent consultancy founded in the UK in 1996. It is a specialist in valuations for financial reporting purposes and is highly experienced in valuing enterprises and intangible assets of all kinds, including for example, trademarks, customer relationships, contractual agreements, patents and databases. Over the last ten years, we have carried out valuations to support:

### Financial reporting

'purchase price allocation' – initial recognition of assets and impairment reviews under US, UK, other national and new international standards

### Tax planning & compliance

valuation of capital sums and transfer pricing

### Expert witness reports

disputes with tax authorities or between brand owners

### Transactions support

acquisition, disposal, IPO or to support a leveraged buyout

### Our clients, partners and reviewers

Our clients include international brand owners such as Vodafone, Shell, Groupe Danone and SABMiller, tax authorities including the Inland Revenue and the IRS, IP lawyers and investment banks. Our work is frequently peer-reviewed by the Big 4 audit practices and our approach has also been accepted by the UK Takeover Panel.

### Two-step approach

Our significant point of difference with mainstream accountancy practices is that in addition to high quality technical work, we also specialise in understanding and leveraging the value of intangible assets. We frequently advise clients on how to grow earnings streams generated by intangibles, identify opportunities to improve operations, optimise licensing terms and generate tax efficiencies.

We are well placed to offer this insight and expertise because our team consists of experienced and qualified accountants, marketers and licensing experts.

**But don't take just our word for it, this is what our clients and partners say about us...**



"Brand Finance has advised SABMiller on internal licensing agreements and the determination of appropriate royalty rates. I have

found them to be knowledgeable and efficient and would be happy to use them for similar projects in future."

Group Tax Manager



"Brand Finance assisted Clinton Cards with

IFRS 3 compliance following the acquisition of *Birthdays*. Throughout I was impressed by their technical know-how and the quick turnaround.

Our auditors had very few comments on their valuations, which made the review process straightforward and painless. I'd be happy to recommend them for purchase price allocation work to others."

Finance Director



"Our experience of working with Brand Finance is that they have been a professional and responsive organisation and we look forward to working with them in the future."

## Some of our Purchase Price Allocation clients



DANONE

- Danone retained Brand Finance to value the brands it acquired with Frucor Beverages Group - V, Mizone, Just Juice and Fresh-up, which are sold predominantly in the Australasian region;
- The Frucor business was valued using DCF techniques, while we valued the brands using royalty relief and earnings split methods;
- The valuations were to comply with FAS 141 'Business Combinations' for publication in the annual report.

Auditors: PwC



- Following Clinton's acquisition of the *Birthdays Group* it was necessary to value its key intangible assets under IFRS 3;
- Brand Finance valued the trademark, business know-how, lease agreements below market value, workforce and goodwill.

Auditors: PwC



- The merger of SAB plc and The Miller Brewing Company created the world's second largest brewer. Brand Finance was commissioned to determine the value of the entire Miller brand portfolio for separate recognition on the SABMiller balance sheet under US standard FAS 141 'Business Combinations'. In this instance 'brand' was defined to include a bundle of intellectual property, including the trademarks and recipes;
- Our valuation models are being used to conduct subsequent impairment reviews under FAS 142;  
.... and because a typical PPA exercise results in a detailed analysis and understanding of the client business, we were subsequently engaged in SABMiller's work to create a tax efficient IP ownership and management structure by providing valuation and transfer pricing advise.

Auditors: PwC



- To float on the London Stock Exchange, Land of Leather was required to publish its results under International Accounting Standards to show the value of its acquired intangibles on its balance sheet under IFRS 3.
- Brand Finance valued the Land of Leather trademark, computer systems, senior management, store leases and goodwill.

Auditors: Ernst & Young



- We assist the directors of Corgi Classics to carry out goodwill impairment reviews under the UK standard FRS 11;
- As part of the task we set out certain key recommendations with supporting valuation models relating to areas where agreement on specific treatment with auditors was advised;
- These issues have included advice on selecting appropriate reporting units for consideration, the treatment of business units' cash flows following changes in group structure since the goodwill arose, and the allocation of goodwill between reporting units.

Auditors: KPMG

## Examples of other client work

The following summaries are intended to demonstrate our breadth of experience across a range of applications:

### **ABN Amro**

Impact on the debt markets of re-branding subsidiaries, including identifying areas of value creation and destruction.

### **Anglian Water**

Valuation of trademarks for licensing to divested affiliate and for use by third parties in non-core applications.

### **Austin Reed**

Valuation of Austin Reed and Country Casuals trademarks and branded businesses for use in a take-over defence document.

### **British American Tobacco**

Development of transparent brand strength scoring and discount rate determination model for use in periodic, marketing oriented, internal brand valuations.

### **BT Group**

Segmented valuations of the BT and other BT Group brands for marketing, acquisition, IPO, international JV and tax purposes.

### **Caradon**

Segmented valuation of Mira shower brand prior to divestment by HSBC Private Equity.

### **Club Med**

Segmented global brand and branded business valuations for internal and investor relations purposes.

### **Cooperative Bank**

Valuation of the Cooperative brand and branded business for brand architecture planning.

### **Courtaulds Textiles**

Royalty relief and economic use trademark and branded business valuations of Courtaulds, Aristoc, Dim, Gossard, Berlei and George Rech brands for inclusion in take over defence document. Approved by The Takeover Panel.

### **Courvoisier**

Segmented global branded business valuation for investment/ divestment decision-making.

### **Ericsson**

Trademark and branded business valuations for internal marketing planning and benchmarking purposes.

### **Guardian/ Observer**

Trademark and branded business valuations for strategic decision making and budget allocation purposes.

### **Liberty**

Valuation of trademarks, design rights, customer lists and other IP for use in take over defence documents and negotiations.

### **L'Oreal**

Expert witness report relating to the brand management of Laura Ashley.

### **Mastercard**

Pan European brand valuation for marketing budget allocation and brand planning.

### **Orange**

Review of internal licensing model and royalty rates.

### **PPP Healthcare**

Post acquisition valuation of PPP brand to identify the positive or negative value shift from switching to AXA branding.

### **Royal Mail Group**

Trademark and branded business valuations of the Post Office, Royal Mail, Parcelforce and Consignia. Creation of brand scorecard and advice on appropriate royalty rates and licensing terms for external licensing of RM Group trademarks.

### **Royal & SunAlliance**

Segmented trademark and branded business valuation of leading UK insurer for marketing budget allocation and brand architecture.

### **Shell**

Over sixty projects during a five-year period, including the development of a brand tracking model, Ferrari sponsorship evaluation and advice on internal licensing agreements.

### **Vodafone**

Post acquisition brand valuation and synergy analysis for the migration of 10 acquired European brands to the Vodafone corporate brand.

Analysis of the potential uplift in enterprise value from a dual branding strategy in a number of Vodafone partner markets.

## Senior Personnel



### David Haigh, Chief Executive

David set up Brand Finance in 1996 to help companies to manage their brands more intelligently for improved business results.

He leads both brand valuation and measurement projects in addition to tax and technical valuations and is an advisory panel member of the Shares Valuation Division of the Inland Revenue, specialising in trademarks and brands.

David has authored publications and commented on brand valuation and equity issues on CNN, Sky, BBC and Bloomberg TV. He frequently presents at conferences around the world on understanding the financial value of brands and brands on the balance sheet.

Prior to founding Brand Finance, David was Director of Brand Valuation at Interbrand. Having qualified as a Chartered Accountant with Price Waterhouse in London, he worked in international financial management then moved into the marketing services sector, firstly as Financial Director of The Creative Business and then as Financial Director of WCRS & Partners. David left to set up a financial marketing consultancy, which was later acquired by Publicis, the pan European marketing services group, where he worked as a director for five years.



### Michael Rocha, Managing Director

Michael joined Brand Finance in 2001 as a Brand Valuation Director. He is now Managing Director of the UK operations.

He manages brand valuation projects to support tax planning, due diligence, joint ventures, private equity, marketing strategy setting and performance tracking for clients in the FMCG, telecoms, media, oil and gas sectors.

Michael has written articles on tax implications for managing brands and has spoken at branding conferences and workshops in Spain and the UK.

Prior to joining Brand Finance he was a Commercial Manager at Cable & Wireless, providing commercial advice to bid teams in contract negotiations. Following his Masters degree in Economics from Cambridge University, he qualified as a Chartered Accountant with Arthur Andersen. Michael worked as a Corporate Tax Consultant at AA, advising predominantly on international taxation issues for media, oil and gas clients. He was also seconded to Kazakhstan to support the growing tax consulting department there.

Brand Finance is the leading, independent intangible asset valuation and brand strategy firm, helping companies to manage their brands more intelligently for improved business results.

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